

OVERSIGHT OF CONTRACTORS

RESPONSIBLE PROGRAM MANAGERS

Dr. Everet Beckner
Deputy Administrator for Defense Programs
National Nuclear Security Administration

Raymond L. Orbach
Director
Office of Science

Jessie Roberson
Assistant Secretary
Environmental Management

DESCRIPTION OF PROBLEM

The majority of the Department's programs are accomplished through contracts, particularly those that provide management and operating capabilities for running the Department's facilities. The Department has previously been criticized for not effectively managing these contracts due to the absence of competition in contracting for major facility management contracts, the general indemnification of contractors for the cost of all performance failures and liabilities under a contract, the lack of contractual features to ensure contractor performance accountability, the absence of a strong focus on environmental, safety, and health concerns, and weak controls over such areas as records management, overtime, and litigation. The Department has established the appropriate policies and procedures to address these problems; however, programmatic implementation of these policies and procedures is not consistently occurring throughout the Department to provide sufficient effective oversight of contractors. Specific contractor oversight problems have been identified by the Inspector General at the Department's environmental cleanup sites and laboratories conducting national security and scientific activities. Adequate oversight is needed to assure that contractor operations are effective and efficient.

PRIOR YEAR ACCOMPLISHMENTS

The Department, through its Contract Reform efforts and other follow-on initiatives, has drastically changed its contract management policies and practices. The Department has changed its policies with respect to competing management and operating contracts, and developed and issued a comprehensive guide for the administration of managing and operating contracts. Under the revised regulations, we now hold contractors financially accountable for certain fines and penalties, property losses and litigation costs. Fixed-fee management contracts with ill-defined performance expectations have been eliminated, and performance-based management contracts with defined performance objectives and related at-risk financial incentives have been created.

**DOE Management Control Program
Final December 2003**

The Department has also initiated several workforce restructuring efforts. New strategies for environmental cleanup were implemented in FY 2003. In an effort to align contract incentives with accelerated cleanup objectives EM has incorporated cost-sharing options to ensure contractor efficiency. The NNSA and SC are restructuring its workforce to improve oversight of contractors managing its facilities. SC has also developed a model contract for its laboratories emphasizing enhanced flexibility and contractor accountability, using national standards and systems based oversight, and increasing incentives and disincentives for continuous improvement in mission performance.

Projected Completion Date

**PLANNED CRITICAL
MILESTONES**

	Previously Reported Date	Current Completion Date	Responsible Office	Responsible Individual
Through a process of re-engineering, National Nuclear Security Administration (NNSA) is restructuring its Federal workforce to provide efficient, effective oversight of the contractor workforce. Additionally, NNSA is evaluating a different method that is more in line with industry standards.	12/04	12/04	NNSA	Dr. Everet Beckner
The Office of Environmental Management (EM) is incorporating cost-sharing contracting options into future contracting activities to ensure the Department conducts the most effective clean up of its sites.	9/03	Ongoing	EM	Jessie Roberson
The Office of Science (SC) is restructuring its Federal workforce to provide clear line management accountability that will result in more efficient and effective oversight of our laboratories.	12/04	12/04	SC	Raymond Orbach

PROGRESS STATUS

National Nuclear Security Administration: NNSA is still in the implementation phase of its reengineering effort to refine roles and responsibilities and strengthen accountability. This effort will continue until the end of calendar year 2004.

Environmental Management: Increased contractor oversight and contracting strategy is an

**DOE Management Control Program
Final December 2003**

integral part of the Office of Environmental Management's (EM) implementation strategy resulting from the "Top-to-Bottom" Review. Specifically EM has implemented a Contract Management Council to ensure aggressive and consistent contracting strategies are implemented. Part of the strategy is ensuring that performance based incentives are included in contracts so as to align with the objectives of the Accelerated Cleanup plans and to review all acquisitions strategies to ensure optimal support of the Accelerated Cleanup. Nine

environmental cleanup contracts had been reevaluated or renegotiated to shorten schedules, establish more focused performance incentives, and accelerate risk reduction through project restructuring. These activities are expected to be iterative in nature.

Science: As part of its restructuring effort, SC is instituting several changes that will provide clear line management accountability and result in more efficient and effective oversight of SC laboratories. These include creating a single point of contact and authority for laboratory contract management in each SC Site Office, placing a contracting officer in each Site Office, moving Head of Contracting Activity authority to Headquarters (HQ), and establishing a clear set of integrated roles, responsibilities, accountabilities and authorities encompassing HQ, the nine SC Site Offices, and the Oak Ridge and Chicago Offices.

In addition, SC has undertaken a new contract approach for its laboratories that will rely more on national standards, best practices, and validation of management systems to produce further improvements in efficiency and effectiveness of laboratory operations. The first contract under the new approach was signed on August 26, 2003, and it will be used as a model for future SC laboratory contracts.

PROPOSED CLOSURE DATE

As a result of the progress achieved to correct this oversight of contractors management deficiency, it is expected that this significant issue will be closed in FY 2004.